POPULIST ECONOMY IN THE STATE OF WELFARE LAW OF INDONESIA

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ABSTRACT

Development oriented to populism and any varied policies sided with the interest of the people is a manifestation of populist economy and as an effort to prioritize the society. Preamble of the Constitution of Republic of Indonesia of 1945 has clarified that one of the purposes of the state of Republic of Indonesia is to advance public welfare for the sake of the creation of just and affluent society and also social justice for all the people of Indonesia. Therefore, Indonesia is not only a state of law as written in Article 1 subsection (3) of Constitution of Republic of Indonesia of 1945 but also a state of welfare law. In a state of welfare law, the state has the duty of realizing people’s welfare by making regulations of economic sectors for the realization of economic justice. Constitution of Republic of Indonesia of 1945 in Chapter XVI concerning National Economy and Social Welfare, particularly Article 33 of the Constitution has featured Indonesia as a state of welfare law. This is also encouraged by the provision of Article 34 Constitution of Republic of Indonesia of 1945. Then, in statute Number 39 of 1999 concerning Human Rights, particularly in Section Seven concerning the right over welfare, clarifies that welfare is human right.

Key words: Populist economy, state of welfare law

Introduction

The concept of economic democracy is included both in the elaboration of Constitution of the state of Republic of Indonesia of 1945 (then will be mentioned as: The 1945 Constitution) and in Article 33 Subsection (4) post-reformation. The 1945 Constitution indeed contains the concept of political democracy and also economic democracy. It means that the highest authority holder in the state of Indonesia is the people, both in political and economic sector. All political and economic resources are controlled by the sovereign people. In the constructed democratic system, not all is directly controlled by the people. The management of some principal parts is represented by the state (Asshiddiqie, Jimly, 2010). The system of economic democracy is the crystallization of the democracy of Pancasila. Democracy of Pancasila reflects the bottom-up development of Indonesia’s economy which is practiced by empowering and activating middle-to-bottom class economy. This is then called the populist economy as has been affirmed in Article 33 of the 1945 Constitution. In Subsection (1) of the Article is stated: “economy is composed as a common effort based on the principle of kinship”. Subsection (2): “branches of production important to the state and covering the livelihood of the people are controlled by the state”. Subsection (3): “land and water and the contained natural wealth are controlled by the state and used maximally for the prosperity of the people”. Subsection(4): “national economy is held on the ground of economic democracy with the principle of togetherness, efficiency of justice, continuity, environmentally sound situation, independence, and by keeping the balance of progress and unity of national economy”.

According to Soeharsono Sagir, every country’s economy does function on the basis of certain system. The type of economic system embraced by Indonesia as a foundation of development from time to time is the system of populist economy (Sagir, Soeharsono, 2009). In this system, economic sovereignty is in the hands of the people, and therefore, the populist economy is closely related to the concept of economic democracy which is nothing but the understanding of people sovereignty in economic field. The thing that becomes the objective of the system of populist economy is liberation of people’s life from poverty, stupidity, dependency, unfair treatment, environmental damage, and anxiety to look ahead. Hence, policy of national development is not supposed to be out of the principle of populist economy which, according to Soeharsono Sagir, is reflected in the principle of triple track development, namely pro-poor, pro job, and pro growth.

In implementing those three principles, there are six benchmarks that can be used to assess whether a process of development works, namely: (1) The people are free from poverty with a fine rate of economic growth; (2) The people are free from stupidity and are empowered to be productive human capital; (3) The people are free from unemployment by working...
creatively and productively to increase personal and other people’s income; (4) The state is free from dependency on foreign debt; (5) The state is free from lack of currency exchange because the value of export is more than the value of import; and (6) The state is free from damage of ecosystem so that the development can be improved continually.

Furthermore, in Decree of Consultative Assembly of The People (MPR) Number VI/MPR/1999 concerning populist economy is also stated that the principle of populist economy is “to empower all strengths of national economy especially small and medium entrepreneurs and cooperative by developing a fair economic market system based on productive, independent, advanced, competitive, environmentally sound, and sustainable natural resources and human resources”.

Related to that, the direction of economic policy is: (1) Focused on fair market mechanism; (2) Principled on healthy competition; (3) Concerned about economic growth; (4) Having the values of justice, social interest, quality of life, environmentally and sustainably sound development, so that equal opportunity can be guaranteed in the working attempt, protection of consumer rights, and fair treatment for the whole community.

In other words, what is meant by the system of populist economy is none other than the fair market economic system. This term is also associated with the basic principle of “efficiency of justice” formulated in Article 34 Subsection (4) of the 1945 Constitution currently applied. That is to say, terminologies of populist economy, fair market economy, economy of social market, are actually the terminologies that are approximately having similar understanding.

Pancasila economic system is adopted by putting cooperative as the pillar of economy. Cooperative is one of the most concrete forms of collective venture. In Subsection (1) Article 33 of the 1945 Constitution, it is affirmed that “economy is arranged as a collective effort based on the principle of kinship”. Mohammad Hatta clarified that what is meant by the principle of kinship is the cooperative (Mubyarto, 1990). Cooperative is a business entity consisting of people or business entity of cooperative by basing its activities on the principle of cooperative and is at the same time a movement of populist economy based on the principle of kinship.

There are five characteristics of Pancasila economic system. They are as follows: (1) The wheel of economy is moved by economic, social and moral stimulus; (2) A strong will of the whole community to the direction of social equity (egalitarianism), suitable to the principles of humanity; (3) The priority of economic policy is the invention of strong national economy that means that nationalism is to be the basis for every economic policy; (4) Cooperative is the pillar of economy and constitutes the most concrete form of collective effort; (5) There is a clear and distinct balance between national-level planning and decentralization in the implementation of economic activity to assure economic and social justice.

The state of Republic of Indonesia is a state based on law. The state of law of Indonesia can be proved from the stipulations in the Preamble, Content and Explanation of the 1945 Constitution (Suny, Ismail, 1980). The terminology of the state of law had been a main thought of philosophers with deep contemplations for centuries. In the beginning, the terminology of “the state of law” was only found in Article 1 of Temporary Constitution. Aspiration of this state of law was synchronous with the development of individualism. Since the beginning, people have been thinking about the relationship between state and individual. In western world, this idea of the state of law had acquired strong encouragement from renaissance and reformation. Individual human asked for a more appropriate legal acknowledgment. All these things were as a reaction over unlimited power growing from the kings, known as the era of absolutism (Gautama, Sudargo, 1973).

Indonesia is a State of Law

Before Indonesia’s independence on the 17th of August, 1945, Indonesia was under the governance of Netherlands Colonial which applied the principle of concordance (applying Netherlands regulations and institutions over Indian Netherlands or Indonesia). After Indonesia achieved its freedom, pertinent to Article II Transitional Regulation of The 1945 Constitution, it is stated that “every state institution and regulation currently existed do apply within the non-existence period of the new ones pertinent to this Constitution”. Cannot be denied, legal system of Continental Europe does take place and is dominant in the legal system of Indonesia relevant to its existence in making positive law. On that basis, Civil Code (Burgerlijk Wetboek), Trading and Bankruptcy Code (Wetboek van Koophandel en Faillissements Verordening) and Criminal Code (Wetboek van Strafrecht) which are products of Netherlands Colonial still apply in Indonesia.

In its development, many provisions contained in such Codes no longer apply and have been single separate enactments. For instance, in Civil Code concerning Marriage, guarantee (security and fiduciary right) has been a separate enactment. Likewise, concerning Limited Company, Capital Market, Cooperative, it no longer uses Trading Code because the separate enactment applies. Enactments concerning Coup d’etat and Graft do not use Criminal Code anymore either because of the same reason.

Based on the aforementioned matter, history of law of Indonesia cannot escape from the influence of Netherlands legal system known as rechtsstaat which means the state of law. The word rechtsstaat or the state of law is included in Article 1 Subsection (3) of the Constitution of Republic of Indonesia of 1945 stating that Indonesia is a state that is based on the law.

A state of law is a state in which government and all legal officials, starting from the president, ministers, other government agency chiefs, employees, judges, prosecutors, legislative members, all of them, in operating their duties inside and outside the work hour, are obedient to the law. Obedient to the law means to uphold the law, to take official decisions based on conscience, according to the law (Notohamidjojo, O, 1970).

A state of law is a state hinging on the law, different from the state known as the state of power (Amin, S.M, 1967). In the state of law, legislation is used to create orderliness and peace based on comprehensive justice. The function of the law is to regulate the relationship between the state or community and its people and interpersonal relationship, so that societal life runs smoothly and in an orderly way. This results in the situation where the task of the law is to achieve legal certainty (for the sake of orderliness) and justice in society (Soekanto, Soerjono, 1976).

Article 1 Subsection (3) of the 1945 Constitution states that: “the state of Indonesia is a state of law”. The intended state of law here is a state that enforces legal supremacy to enforce truth and justice, and no power is accountable. Based on the principle of the state of law, state assemblies not only take action in accordance with written law in doing the duties to keep
orderliness and security, but also have a source in the attempt to accomplish public welfare, intelligence of nation’s life, and protection over the whole nation of Indonesia.

Bernard Arief Sidharta concluded that the state of Indonesia that will be realized by the nation of Indonesia is a state of Pancasila with the following aspirations: (1) The state of Pancasila is a state of law; (2) The state of Pancasila is a state of democracy which is, in its whole national matters, always open to participation of the whole people; (3) The state of Pancasila is an organization of the whole people arranging themselves rationally and endeavoring collectively in a frame and through currently legal order, realizing physical and spiritual welfare for all the people by always referring tovalues of human dignity and One Almighty God (Sidharta, Bernard Arief, 2006).

According to Padmo Wahjono, “no society without the law” (Wahjono, Padmo, 1983). Even way too far before, Marcus Tullius Cicero stated *ubi societas, ibi ius*: in where there is a society, there will be a law. This modern era, living in a society, in the frame of state organization, is regulated by law, both in written and unwritten form. To distinguish it from other concepts of state of law, Indonesia is called Pancasila state of law.

Aspirations of the law according to the 1945 Constitution are the following main ideas contained in the Preamble: (1) The state protects entire nation of Indonesia and entire homeland of Indonesia on the basis of unity by realizing social justice for all the people of Indonesia; (2) The state wishes to realize social justice for all the people; (3) The state has people sovereignty based on citizenship and deliberation of representation; (4) The state is based on One Almighty Godon the basis of fair and courteous humanity.

These legal aspirations, essentially, are the Pancasila, the basic philosophy of the state of Indonesia, which have the following principal purposes in having a nation: (1) to promote public welfare; (2) to improve the life of the nation; (3) to participate in the world peace based on freedom, eternal peace, and social justice.

The result of seminar “Introduction of Sense of Law and Application of Principles of National Law” states that the sense of law (rechtsidee) contains the understanding that essentially the law is as a rule of people’s behavior taking root on idea, feeling, intention, conception and thought of its own society”. In the dynamics of people’s life, such sense of law will influence and function as general principle that takes part as a guiding principle, norm of evaluation, and factor that motivates legal performance (construction, invention, and application of law) and legal conduct.

Law enforcement or also called law maintenance (handhaving van het recht), at least has two meanings: (1) to keep and maintain so that the law is still obeyed or practiced; (2) to prevent and take action against divergence or breach of law (Manan, Bagir, 2010).

According to Plato, to create tranquility and welfare in a country, make the justice rule in that country (Lopa, Baharuddin, 2001). Then Plato said that law or constitution is a facility to making sure that not only the citizen’s rights of life are guaranteed, but also their welfare of life is guaranteed. Only this type of law can be considered true. Plato’s senses are about the necessity of the rulers being submissive to constitution and the necessity of the constitution being able to assure citizen’s welfare of life.

The philosopher Aristoteles, in many things, is attached to Plato’s philosophy, especially about practical consequences to the country. According to Aristoteles, legal justice is identical with public justice. Justice must be understood in the corridor of equality. However, Aristoteles makes an important distinction between numeric equality and proportional equality. Numeric equality breeds the principle: “every person is equal in the eyes of the law”. Proportional equality breeds the principle: “giving every person what to be his or her right”. This concept of Aristoteles has double implication in the law and government. On one side, government does not have any immunity before the law. Government and the people are equally under the law. While on the other side, it must be guaranteed that government and the people respect their respective rights in line with their respective task and position inside the state. The ruler has a right to rule as a government according to the constitution, and the people have a right to obtain guarantee of welfare as the citizens as guaranteed by the constitution. That is the constitutional justice that must be upheld in a country.

Pancasila sense of law (rechtsidee) contains: (1) One Almighty God; (2) Respect towards human dignity; (3) Insight of nationality and insight of Nusantara; (4) Equality and propriety; (5) Social justice; (6) Morality and noble ethics; and (7) Participation and tranparency in the process of public decision-making.

According to Muladi, Pancasila must be seen wholly as national guidelines or as national standart, norms and principles (Muladi, 2004). It means that Pancasila takes a role as a guide in the life of society, nation and state. Besides that, Pancasila takes a role as a basic standard, norm and principle for the nation of Indonesia; Pancasila as a way of life.

According to B. Brian Z. Tamanaha, a state of law revolves around three clusters of meaning. First, government is restricted by law. The state of law protects society against oppression from government that has both communitarian and individual nature. It also protects the society in a state of pluralism. Particularly for developing countries like Indonesia, state of law will protect society from a transformation of a western type into eastern society that has different cosmology. Second, state of law is understood in the way of formal legality. State of law is understood as a supremely valuable good, but not necessarily having universal human good characteristic. Third, adjustment that is based on the law (rule of law), not man (rule of man). Such situation can be reached whenever the balance between the two can be reached which is cored in self-restrain (Rahardjo, Satjipto, 2008).

**Welfare State**

The concept of welfare state appeared as an alternative for constitutional democracy in the 20th century. This occurred as a reaction towards the excess of liberal pluralism in the 19th century constitutional system. This thought bred the postulate of “the least government in the best government” (Budiarjo, Miriam, 2008), which means that the least government is the best. Figures of thinkers of welfare state are inter alia Ramesh Mishra, Ross Cranston and Vilhem Aubert.

The appearance of the concept of welfare state was preceded by the concept of a night watchman state (nachtwachterstaat). In the concept of a night watchman state, government is only allowed to enter the area of security, not to the area of politic and economy, according to the postulate of “laissez-faire laissez-aller” (Marbun, S.F. 2001) or liberalism.
Liberalism believes that if someone is given a liberty to take care of his or her economic, economic of the state will be healthy. In this perspective, economic affairs are aside from state interference.

This liberalism appeared because beforehand, in the absolute form of a government, the king is the one who decides everything for the interest of society. The famous slogan at that time as expressed by the king of France, Louis XIV. “L’etat c’est moi”, (Azhary, 2005) the country is me. The currently applied principle in the government at that time was that the king was the one who decides everything for his people and public interest excelling all statutes and laws (legibus solutes, solus publicus suprema lex).

Afterwards, a development occurred where welfare states shifted to workfare. Such thing occurred according to the thought of President Richard Nixon who lauded it in 1969 by saying “what America needs now is not welfare but more workfare” (Swasono, Sri-Edi, 2005). There are principal things related to workfare, namely opportunity, responsibility and community. In this workfare, government seeks to attempt the society, which is previously receiving social assistance, to work either in government or private agencies. In workfare, state interference is done with an approach which requires social assistance recipients to enter labor market. So, everyone’s right to acquire welfare really depends on how much the country is able to provide jobs.

After World War II, an essential shift concerning the idea about the duty of the country occurred that was from the state of police (politiestaat) through the state of night watchman (nachtwakeraat) to the state of welfare (welvaarstaat, welfare state). In the era of constitutionele monarchies, from mid-century to the 20th century, general opinion concerning state duty was merely to maintain security and as little as possible to interfering general people’s affairs/interests (politiestaat and nachtwaker staat based on Immanuel Kant’s and Fichte’s teaching of the state of law). In the 20th century, duty of the state was to carry out public interestas widely as possible (welvaarstaat or welfare state), and by this essential shift, government interference in public elements and interests becomes increased (Muslimin, Amrah, 1970). At that time, Immanuel Kant’s and Fichte’s teaching, concerning the prohibition of state interference in social economy, was applicable. They sustained as touts on houding; the state does not interfere people’s affairs to its fullest. The type of modern state of law, accentuating whole people’s interest, developed in West Europe since late 19th century, is known as welfare state, welvaarstaat, welthafbraat.

Welfare state, in Esping-Anderson’s concept, basically refers to the state’s role active in managing and organizing the economy including the state’s responsibility to guarantee the availability of service of basic welfare in certain level for its citizen (Triwibowo, Darmawan, Sugeng Bahagijo, 2006). Related to welfare state. Miriam Budiardjo states that the state has to and even must intervene in various social and economic problems to guarantee the creation of collective welfare in the community based on the final goal of every country which is to create happiness for its people (bonumpublicum, common good, common wealth).

One thing that becomes the characteristic of welfare state is that what is held is not just the facilities that can be used by the community, but the state also needs to hold various services including health services, education, road construction and provision of traffic facilities, postal and telecommunication facilities, radio and television, various social services, creating or giving assistance for social institutions; and especially in modern countries, various ways to develop capability of national economy with a purpose in order all members of society at least can be free from excessive poverty and economic dependency. The state that adopts welfare state, according to Sir William Beveridge, must be a state which can guarantee the fulfillment of income, health, education, housing, and employment for the people (Adiningsih, Sri, 2009).

With the appearance of Tony Blair as a Prime Minister of England, there appeared to be a significant development by popularizing the new social democracy; England “welfare state” turned to be “welfare public”. The core of welfare is not democratic welfarebut the psychic concept related to human welfare. Welfare institutions must help development of psychological and economic benefits, for instance in the form of counseling (Gidden, Anthony, 2002).

Globalization pushes countries to make adjustments with limited choices (more precisely, no choice) which is to compete in the system of market economy with various approaches. In other words, globalization is a self-integration into liberal system of global economy. Here is proved that the state genuinely must respond all situations or circumstances that appear or occur to all areas of life for guaranteeing the welfare of its citizen. The state cannot be only a night watchman (nachtwaker staat) being on duty to keep orderliness and security but must be active in realizing welfare state which is a state aiming to create welfare of the people.

Indonesia as a State of Welfare Law

Observing the use of terminologies oriented to welfare of the people, such as the term of public welfare in the Preamble of the 1945 Constitution, the term of social welfare in the 1945 Constitution, and the term of social justice in the fifth principle of Pancasila, it is proven that Indonesia is a welfare state which means a state which aspiresto realize welfare for the people and a state that is established to aim of creating welfare for all the people of Indonesia.

Considering Indonesia as a state of law as affirmed in Article 1 subsection 3 of the 1945 Constitution aspiring to realize fair and prosperous society, it can be pointed out that Indonesia is a state of welfare law. So, on one side, Indonesia is a state of law, andon other side, Indonesia is a welfare state; therefore, Indonesia is a state of welfare law. Relevant to the state of welfare law, Satjipto Rahardjo says that law is for human and not on the other hand and law does not exist for itself, but for something wider, specifically for human self-regard, happiness, prosperity, and human glory (Rahardjo, Satjipto, 2007). Further said, Indonesia is a state of law which prospers its people.

Notion of the founding fathers had built a firm foundation to construct welfare state. Notion of Soekarno and Mohammad Hatta in fact gave the forms of democracy that would be developed in the pattern of not only political democracy but also economic democracy actualized in the 1945 Constitution. First; Soekarno mentioned Sosio-democracy, a political and economic democracy (Soekarno, 1965). Such thing is not common to the democracy developed in the West and Europe that is in the pattern of political democracy. Second; Mohammad Hatta established the state of Indonesia with the predicate “The State of Caretaker” which means to build a new community based on mutual aid, collective effort, being in the pattern of kinship, which is clearly a “welfare state”.

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The clarity of Mohammad Hatta’s thought inspired the birth of Article 33 of the 1945 Constitution (Abdulgani, Roeslan, 1980). Constitutionally, the welfare state of Indonesia is included in the fourth paragraph of the Preamble of the 1945 Constitution, Article 27 subsection (2), Article 33 and Article 34. On this ground, the state is required to be responsible for the fulfillment of basic needs, to conquer poverty and to guarantee employment for its people. This notion is a rejection to Adam Smith’s theory in accordance with the expression “homo economicus” that breeds system of liberalism in the form of “laissez faire laissez aller”, which was then viewed by the founding father not suitable with state of mind of Indonesian society.

The concept of welfare state of Indonesia actually lies on Indonesian original culture from Javanese original culture translated into cultural art of shadow graph. This welfare state, by Javanese poets, is depicted as “Negara panjang hapanunggasir-wukir” “lojinawin, gemah ripah kartoraharjo” (Prodjodikoro, Wirjono, 1981). That contained meaning is that an area of a country spreads from beaches to top of mountains, with fertile soil and with cheap clothing and food, peaceful situation, with harmonious atmosphere, and the absence of crime, and the government which is always fulfilling people needs (Djauhari, 2009).

In economic sector, there are two different points of view diametrically opposed, namely (1) the change of formula of Article 33 of the 1945 Constitution, and (2) the change by preserving its main principle. First; rejecting “principle of kinship” considere dirrelevant, to be replaced with another principle such as “fair market” or at least social market economy. Second; clusters that want the preservation of formula of Article 33 of the 1945 Constitution even though agreeing additional subsections that are the development of new thought. In the end, there was a compromise and from that amendment resulted in a formula: the title of Chapter XIV became “National Economy and Social Welfare”, amended from “Social Welfare” by amending Article 33 which contained 3 subsections becoming 5 subsections (Mubyarto, 2003).

Here is pointed out that the state of Indonesia is still committed to the form of Welfare State as proved by the existence of amendment of Article 33 of the 1945 Constitution by adding 2 subsections. With the addition of those two subsections, the system of welfare, especially in economic sector, accepts positive sides of liberal and socialistic system, but still rejects perspective of market fundamentalism (Rahardjo, Dawam, 2003).

Understanding of welfare state is apparently emphasized in addition of social economic articles which are in Article 34 subsection (2) and subsection (3) of the 1945 Constitution. Meanwhile, Article 33 subsection (3) of the 1945 Constitution is an affirmation of Welfare State by using the terminology used by Anthony Giddens as “social investment state” Rahardjo, Dawam, 2003). The amendment towards Article 33 of the 1945 Constitution actually does not eliminate the thought of Mohammad Hatta and Soekarno, but in fact extent the thought towards development of global economy demanding flexibility.

Welfare state is responsible for the welfare of its people. In Indonesia, this concept is formulated with the principle of economy like included in the fifth principle of Pancasila which is social justice for all the people of Indonesia. In other words, what Indonesia wishes to achieve is in line with the purpose of welfare state (Siahuan, Rudy Haposan, 2001). To date, although era of power has changed many times, Pancasila remains agreed as the foundation and ideology of the state and Indonesian way of life.

Government efforts to reach collective welfare are done by the following ways: (1) Protecting people against the risk of modern industry such as labor accidents; (2) Guaranteeing minimum income, also due to illness, losing jobs and old age; (3) Providing needed means such as housing, education and health, in order to function well in the society; (4) Promoting individual welfare like the distribution of political aspiration, culture, sport and so on.

Conclusion

The Preamble of Constitution of the state of Republic of Indonesia of 1945 has clarified that one of the aims of the state of Republic of Indonesia is to promote public welfare for the creation of fair and prosperous society and social justice for all the people of Indonesia. Therefore, Indonesia is not only a state of law as included in Article 1 subsection (3) of the 1945 Constitution but also a state of welfare law. In a state of welfare law, the state has the duty of realizing the welfare of the people by making regulations in economic sectors to attain economic justice. The 1945 Constitution in Chapter XVI concerning National Economy and Social Welfare, particularly Article 33 of the 1945 Constitution, has indicated Indonesia as a state of welfare law. This is once again encouraged by the stipulation of Article 34 of the 1945 Constitution. Furthermore, statute Number 39 of 1999 concerning Human Rights, especially in Section Seven concerning the right over welfare, says that welfare is a human right. Besides that, assurance and acknowledgment towards human rights are main elements in the state of law. The state of welfare law is a state of law aspiring to realize the welfare of the people. Indonesia is a state of law which prospers its people.

References


